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September 11, 1996

VIA FEDERAL EXPRESS

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
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SEP 12 1996



DOCUMENT CONTROL

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AZ CORP COMMISSION

Re: Docket No. U-0000-94-165

Dear Docket Control:

Enclosed for filing is an original and eleven (11) copies of the Comments of the Center for Energy and Economic Development ("CEED") on Staff Draft Rules.

We have enclosed an additional copy to be "filed" stamped and returned to us in the self-addressed stamped envelope we have provided.

Thank You.

Sincerely,

Peter Glaser

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ARIZONA CORPORATION COMMISSION

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Electric Utility Restructuring)

Docket No. U-0000-94-165
DOCUMENT CONTINUED

**COMMENTS OF THE CENTER FOR ENERGY AND
ECONOMIC DEVELOPMENT ON STAFF DRAFT RULES**

The Center for Energy and Economic Development ("CEED") submits these comments on the draft rules proposed by Staff in the above-referenced docket. CEED previously submitted more detailed comments in this docket dated June 27, 1996. CEED will not repeat those comments here, although those comments provide relevant input with respect to Staff's draft rules and CEED commends those comments again to Staff. CEED's comments below will focus on the specific draft rules.

CEED opposes R14-2-xxx9 regarding a solar portfolio standard and believes it should be deleted from the draft regulations. In addition, CEED opposes and recommends deletion of R14-2-xxx8 regarding System Benefits Charges insofar as such charges relate to renewable resources, DSM and environmental programs. Otherwise, CEED takes no position on the draft regulations or on industry restructuring in general.

CEED's opposition to the draft regulations indicated above is based on three factors. First, to CEED's knowledge the Arizona Corporation Commission has not heretofore required utilities to purchase specified amounts of renewable resources. Renewable resources, therefore, cannot be said to be a "system benefit" provided by the current regulatory system that will be

"stranded" if the Commission moves to restructure the industry. There is no justification for imposing a "system benefits charge" or a solar portfolio standard to continue a "system benefit" that is not currently being provided.

Second, to CEED's knowledge, there has been no work done to determine the cost to ratepayers of imposing a System Benefits Charge in favor of renewables, DSM and environmental programs and of adopting a solar portfolio standard. There is no way, therefore, of determining the cost-effectiveness of Staff's proposals. As noted, Staff's proposals would create subsidies for renewables that heretofore have not existed. It makes little sense to adopt new regulatory requirements imposing new burdens on ratepayers without knowing whether the supposed benefit is worth the cost.

Moreover, the draft rules do not define the "environmental" programs that would be subsidized by the System Benefits Charge. Again, if the public is going to be asked to provide a subsidy for new programs, there should be some definition of what those programs will be and how much they will cost.

Third, imposing new pro-renewable regulatory requirements on the electric market cannot be squared with the deregulatory purpose of electric restructuring. The purpose of restructuring is to lower electric rates by promoting competition. Protecting a segment of the electric market through subsidies and guaranteed markets runs counter to this goal.

In this regard, CEED would note that the electric deregulation legislation recently passed by the California legislature provides for renewable subsidies for a four year transition period only. In the past, the California legislature has required that the California Public Utilities Commission mandate a certain amount of renewables. Given this past mandate, it was decided in the new legislation that publically provided support for renewables ought not to be abandoned immediately. However, after the four-year transition period, the use of access charges to fund renewables will cease.

In Arizona, which has not had renewable mandates in the past, there is no need to have such a transitional period. And there is certainly no justification to adopt the requirements proposed by Staff that would continue for an unlimited period of time in the future.

In closing, CEED would note that it does not oppose so-called "green pricing" initiatives with respect to renewables. Indeed, restructuring, by allowing customer choice, is a perfect vehicle in which customers can opt to select and pay for energy provided from renewable resources. CEED suspects that in a rural state such as Arizona there will be a demand for a variety of distributed solar applications. CEED does not believe, however, that ratepayers should be made to subsidize renewables.

CEED appreciates the opportunity to submit these remarks.

Dated: September 11, 1996.